Agenda

• Actuarial skills
• The Actuarial Function
• Competencies
• Structural considerations
• Reliances
• Independent oversight
Actuarial skills

• Systematic and comprehensive approach, in the role of the engineers and shepherds of the insurance process, with skepticism
  – Pooling of risks and behavior
  – Assets and liabilities
  – The sometimes competing interests of policyholders and shareholders
• Data analysis
• Development of expectations, methodologies and models
• Regarding risk and uncertainty
  – Assessment based on deep understanding
  – Quantification/testing
  – Management
• Wide scope of operations within and in the oversight of insurers
The Actuarial Function

• Relies on fundamental actuarial skills
  – But since actuaries aren’t the only ones with these skills, may involve other professionals

• Three lines of defense of risk management, covering functions that
  – Own and manage risks
  – Oversee risks
  – Provide independent assurance
Competencies

• Based on basic and continuing education and experience
• Work of the Actuarial Function includes
  – Data quality assurance
  – Experience and financial analysis
  – Benchmarks, methods and models development and enhancement
  – Risk identification, quantification and management
  – Communication of the types, extent and implications of uncertainty and its management through effective processes
• Commensurate with nature, scale and complexity of the insurer
Structural considerations

• Organization of the Actuarial Function generally based on nature, size and complexity of insurer
• May be centralized or decentralized
• Staff involved are not always clearly identified
  – May be part-time job of certain individuals
  – Leader may not have a statutory role
  – Important to embed responsibility for key functions
    ▪ Assigned in as transparent manner as possible
Reliances

• Validation of the work of the Actuarial Function is important for the work to be able to be relied upon – purposes include quickly
  – Identifying weaknesses
  – Learning from emerging best practices to enhance processes and assumptions

• Purpose is to provide assurance that the work has been performed in an appropriate manner in view of the risks involved

• To be assessed
  – Knowledge, experience and skills of those who performed the work
  – Assess important quantitative and qualitative outputs and processes that the Actuarial Function has been involved with
    ▪ To do this, the supervisor must have suitable access to appropriate staff and have access to suitable actuarial resources of its own
Independent oversight

• There is a wide range of approaches to achieve independent oversight, that is, the three lines of defense of risk management
  – The more complex and risk-taking the insurer, the more important the independence and oversight is
  – Both internal and external forms
  – Provide comfort to all stakeholders, including management, Boards and supervisors
  – The more the supervisor trusts the effectiveness of this oversight, the less intrusive the supervisor’s control functions have to be
  – A shift has been from revalidating numbers to assessing communication and process
Independent oversight (2)

- Although the IAIS has identified risk management and the Actuarial Function as separate control functions, actuaries can provide useful roles in both
- Covers controls and procedures to provide independent actuarial oversight
  - Including benchmarking and reporting
- In sum, actuaries and the Actuarial Function can provide significant elements of this oversight
Thank you

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